

Internal Revenue Service

District
Director

Department of the Treasury

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

[REDACTED]

Telephone Number:

[REDACTED] 7

Refer Reply to:

EP/EO

Date:

JUL -6 1984

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax under the provisions of section 501(c)(8) of the Internal Revenue Code of 1954.

You are an [REDACTED] nonprofit corporation, incorporated on [REDACTED]. The Articles of Incorporation state that your purposes are to form a united front for the preservation of the ideals of trade unionism, to protect, preserve and improve the social and economic status of retirees; to create a closer fellowship between all retired teamsters; to safeguard, advance and promote the rights and interests of retirees, by educational and other states activities; to engage in cultural, civic, legislative, fraternal, educational, charitable, welfare, social, and other activities which further the interests of your organization and its membership directly or indirectly; and to provide financial and moral assistance to other organizations or other bodies having purposes and objectives similar or related to those of your organization.

Your By-laws state that you are not a part of [REDACTED]. Your only relationship is that your membership is composed of retired teamsters, their spouses and surviving spouses.

You stated that you were formed in order for your members to meet, form closer friendships and receive information relating to retirement. You will purchase group hospitalization and life insurance for your members and provide charitable, welfare and other social activities.

You will be financially supported by membership fees and various fund-raising activities which include selling caps, jackets and cookbooks and social activities for your members. Expenditures will be made for benefits to your members and miscellaneous expenses for operating your organization.

Section 501(c)(8) of the Code provides exempt status for fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Section 1.501(c)(8)-1(a) of the Income Tax Regulations provides that a fraternal beneficiary society is exempt from tax only if operated under the "lodge system" or for the exclusive benefit of the members so operating. "Operating under the lodge system" means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like. In order to be exempt it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits.

In Philadelphia & Reading Relief Association, 4 B. T. A. 713 at 725(1926), it was determined that a voluntary unincorporated association composed of employees of a railroad company, not organized for fraternal purposes, having neither lodges, ritual, ceremonial, or regalia, owing no allegiance to any other authority or jurisdiction, and whose members are engaged in numerous and diverse vocations, though employees of a common employer, is not a fraternal beneficiary association operating under the lodge system. The court noted that the association's membership consisted of individuals whose vocations were as numerous and diverse as the classifications of jobs of a railroad company, that membership was open to all employees of the company, that the only motive for the existence of the association was a mercenary one (to provide insurance benefits).

In Polish Army Veterans Post 147, 24 T.C. 891(1955), aff'd. 236, F.2d (3rd Cir. 1956), it was held that an organization cannot be classed as fraternal where the only common bond between the majority of the members is their membership in that organization.

In Nation Union V. Marlow, 74 F. 775 (8th Cir., 1896), a fraternal beneficial society was defined as:

... one whose members have adopted the same or very similar, calling, avocation, or profession, or who are working in unison to accomplish some worthy object, and who for that reason have banded themselves together as an association or society to aid and assist one another, and to promote the common cause. The term "fraternal" can properly be applied to such an association, for the reason that the pursuit of a common object, calling, or profession usually has a tendency to create a brotherly feeling among those who are thus engaged...

As indicated in the above citations, the intention to operate under the lodge system is insufficient. An organization is operating under the lodge system only when the parent and local organizations are active. Your membership is composed of retired teamsters. The Teamsters, which is a labor union, is comprised of members who have various occupations such as truck drivers, office workers, etc., and do not have anything in common except their membership in the union. Your organization cannot be

classified as a fraternal society operating under the lodge system because the only common bond between the majority of the members is their membership in the Teamsters union. You are not operated under the lodge system because you do not carry on activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like.

Revenue Ruling 73-192, 1973-C.B. 224 held that an organization not operating under the lodge system, whose sole activity is to provide life, sick, and accident benefits exclusively for members of a fraternal beneficiary society operating under the lodge system, may qualify for exemption under section 501(c)(8) of the Code.

Unlike the organization in the revenue ruling, you are not providing benefits for members of a fraternal beneficiary society which is operating under the lodge system.

Accordingly, we have determined that you are not described in section 501(c)(8) of the Code and propose to deny your application for recognition of exemption under section 501(c)(8) of the Code.

Consideration was given to obtaining exemption under other subsections of 501(c) of the Code and you do not qualify under any other subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organization Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if

[REDACTED]

you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 11.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[REDACTED]

[REDACTED]
District Director

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